

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- May 20: Chicago Fed National Activity Index (Apr)
- May 21: Existing Home Sales (Apr)
- May 22: FOMC minutes of May 1 meeting
- May 23:
 - Markit Manufacturing, Services, Composite PMI (May, prel.)
 - Initial Jobless Claims (May 18)
 - New Home Sales (Apr)
- May 24: Durable Goods Order (Apr, prel.)

EUROZONE

- May 21: Consumer Confidence (May)
- May 23:
 - Markit Manufacturing, Services, Composite PMI (May, prel.)
 - GDP (Germany, Q1, flash)
 - IFO Business Climate (Germany, May)
- May 23-26: EU elections

GREECE

- May 21: Current Account Balance (Mar)

SEE

BULGARIA:

- May 20: Current Account Balance (Mar)

ROMANIA:

- May 24: M3 (Apr.)

SERBIA

- May 24: Real Gross Wages (Mar)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: UK Prime Minister Theresa May is reportedly expected to announce her resignation later this morning, setting out a timetable for her departure after holding a meeting with the chairman of the Conservative 1922 Committee. In FX markets, the USD came under some selling pressure today on lower UST yields amid market concerns that the US/China trade war is becoming more protracted and the US economy may be hurt more than previously thought. Poor US data yesterday, had also had an impact. Furthermore, anxiety prevails about the outcome of this week's European Parliament elections, which conclude on Sunday.

GREECE: According to the Bank of Greece, in March 2019, inbound traveler flows rose by 9.1% standing at 772.5 thousands while travel receipts reached €318.5 million, higher by 32.2% on an annual basis. For the period January-March 2019, inbound traveler flows reached 1,936 thousands up by 7.8%YoY while travel receipts reached €760 million, up by 37.2%YoY.

SOUTH EASTERN EUROPE

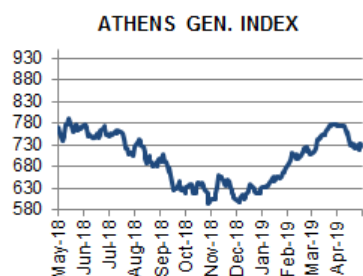
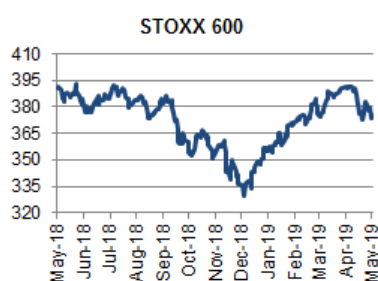
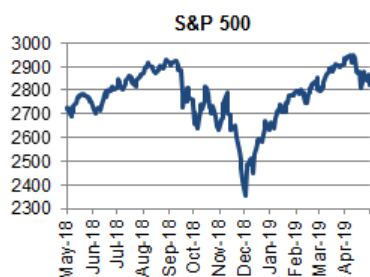
TURKEY: Turkish lira under further depreciation pressure on resurfaced investors' concerns for US sanctions.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank
Research

UK Prime Minister Theresa May is reportedly expected to announce her resignation later this morning, setting out a timetable for her departure after holding a meeting with the chairman of the Conservative 1922 Committee. As per the same sources, the ensuing Conservative Party leadership contest is likely to start on 10 June, after US President Donald Trump's visit to Britain. On the back of mounting UK political uncertainty based on recent polls which suggest that the most likely outcome of a Conservative leadership election would be a pro hard Brexit Prime Minister, UK Gilts gained while the GBP retained a negative tone. The 10-yr Gilt yield dropped to 0.95%, the lowest in near three years, while the EUR/GBP was hovering around a three month-intraday high of 0.8839 in early European trade at the time of writing. Meanwhile, the USD came under some selling pressure today on lower UST yields amid market concerns that the US/China trade war is becoming more protracted and the US economy may be hurt more than previously thought. US President Donald Trump said that US complaints against Huawei Technologies might be resolved within a framework of a US-China trade agreement and called the Chinese telecoms equipment maker "very dangerous" for national security. The 10-yr UST yield was standing close to 2.32% at the time of writing, not far from yesterday's seven-month low of 2.29% and poised for a weekly drop of c. 8bps. Meanwhile, the DXY index was hovering around 97.725, 0.1% lower compared to Thursday's close and off this week's two-year high of 98.371. Poor US data yesterday showing new home sales fell by 6.9% in April from March's seasonally adjusted annual rate of 723k, the highest in near 11½ years, and manufacturing PMI declined to 50.6 in May, the lowest level since September 2009, from April's 52.6, had also had an impact. Favored by broad-based USD weakness today, the EUR gained some ground testing levels close to 1.1200 in early European trade after hitting a one-month trough of 1.1180 at some point yesterday on poor Euro area May flash PMIs showing a more 0.1p rise to 51.6 in the Competitive PMI index. Furthermore, anxiety prevails about the outcome of this week's European Parliament elections, which conclude on Sunday. Based on the latest opinion polls, the European People's Party (EPP) and the Socialists and Democrats (S&D) are likely to fall short of an absolute majority for the first time since 1979 and populist parties could win as much as c. 30% of the seats, a development which, if realized, would have important implications for the functioning of the EU in the coming years and the political climate at a local level in some countries.

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GREECE

According to the Bank of Greece, in March 2019, inbound traveler flows rose by 9.1% standing at 772.5 thous. while travel receipts reached €318.5 million, higher by 32.2% on an annual basis. For the period January-March 2019, inbound traveler flows reached 1,936 thous. up by 7.8%YoY while travel receipts reached €760 million, up by 37.2%YoY. This increase is attributed to a 21.9% increase in receipts from residents of the EU28 and a 61.0% increase in receipts from residents outside the EU28. As regards the major tourism markets, significant increases in travel receipts were recorded from the USA (+118.9%), UK (+79.5%), Russia (+63.5%), France (+55.3%) and Germany (+9.5%). For the said period, a considerable increase of 28%YoY was also recorded in the average non-resident expenditure per trip in Greece, which stood at €389. Receipts from cruises came in at €6.4 million, down by 2.5%YoY.

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Friday 24 May 2019

Latest economic & market developments in the CESEE region

TURKEY

| BULGARIA: Indicators | 2017 | 2018 | 2019F |
|----------------------|------|------|-------|
| Real GDP growth % | 3.8 | 3.1 | 3.5 |
| CPI (pa, yoy %) | 1.2 | 2.6 | 2.8 |
| Fiscal Balance/GDP* | 0.8 | 0.1 | -0.5 |
| Current Account/GDP | 3.1 | 4.6 | 1.0 |

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

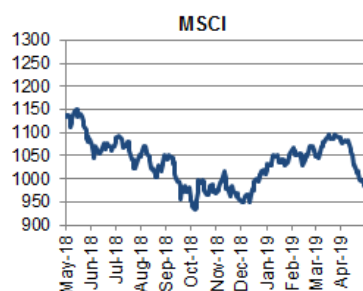
| CYPRUS: Indicators | 2017 | 2018 | 2019F |
|---------------------|------|------|-------|
| Real GDP growth % | 4.5 | 3.9 | 3.3 |
| HICP (pa, yoy %) | 0.7 | 0.8 | 1.0 |
| Fiscal Balance/GDP* | 1.8 | 2.9 | 3.0 |
| Current Account/GDP | -8.4 | -7.0 | -7.5 |

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

| SERBIA: Indicators | 2017 | 2018 | 2019F |
|---------------------|------|------|-------|
| Real GDP growth % | 2.0 | 4.3 | 3.5 |
| CPI (pa, yoy %) | 3.2 | 2.0 | 2.6 |
| Fiscal Balance/GDP | 1.1 | 0.6 | -0.5 |
| Current Account/GDP | -5.2 | -5.2 | -5.3 |

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



| Credit Ratings | | | |
|----------------|---------|------|-------|
| L-T ccy | Moody's | S&P | Fitch |
| SERBIA | Ba3 | BB | BB |
| ROMANIA | Baa3 | BBB- | BBB- |
| BULGARIA | Baa2 | BBB- | BBB |
| CYPRUS | Ba2 | BBB- | BB+ |

From a regional point of view, Turkish assets came under renewed depreciation pressure on Thursday driven by renewed concerns for US-Turkey relations. The Turkish lira traded at 6.14/\$ on Thursday's evening trade at the time of the writing –comfortably above the 6.00/\$ threshold-and close to an 8-month low, on media reports that the Ministry of Defense stated that Turkey was preparing for potential U.S. sanctions over its purchase of the S-400 missile defense systems. Market concerns have been building up as of late April fueled by the High Electoral Board (YSK) decision to accept an appeal by the ruling AKP party. The YSK ruled to annul the elections for the mayor of Istanbul in which the AKP candidate had been defeated in late March and ordered for a redo of the election for the post of the mayor of Istanbul only. Additionally, the domestic currency took a new hit on speculation that the government would tap the Central Bank reserves to finance the budget deficit amplifying concerns for the fiscal standing of the country. Moreover, on Monday, the banking supervision authority (BDDK) imposed a one-day settlement delay on individuals' purchase of more than \$100,000 in FX market, in a move that could increase concerns about potential capital controls.

Despite the recent improvement, the economic environment remains recessionary and the inflation outlook challenging. GDP contracted by -3.0% YoY in Q4-2018 sharply down from 1.8% YoY in Q3-2018, 5.3% YoY in Q2-2018 and 7.4% YoY in Q1-2018, bringing the FY2018 performance at only 2.6%. The aforementioned growth performance – significantly below the government target of 3.8% - is unfavorable and disproportionate compared to 7.4% in FY2017, one year ago, which was the highest since 2013. However, there are some timid signs of a rebound in Q1-2019 with the recent announcements of leading indicators such as industrial production, PMI and economic sentiment pointing to a bottoming out of economic activity. Yet, according to the Reuters poll announcement yesterday, the consensus of economists expects economic activity to contract by -2.5% YoY (with a range of forecasts between -1.7% and -4.3%) in Q1-2019 and -0.1% (with a range of forecasts between -2.6% and +2.3%) in FY2019 against an OECD and IMF forecast for -2.5% and -2.6% respectively.

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Friday 24 May 2019

GLOBAL MARKETS

| Stock markets | | | | FOREX | | | Government Bonds | | | Commodities | | | | | |
|---------------|----------|-------|-------|---------|--------|------|------------------|------------|-------|-------------|----------|-------------|------|------|-------|
| | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD | (yields) | Last | ΔDbps | ΔYTD bps | Last | ΔD | ΔYTD | |
| S&P 500 | 2822.24 | -1.2% | 12.6% | EUR/USD | 1.1199 | 0.2% | -2.4% | UST - 10yr | 2.32 | 0 | -37 | GOLD | 1284 | 0.1% | 0.1% |
| Nikkei 225 | 21117.22 | -0.2% | 5.5% | GBP/USD | 1.2676 | 0.2% | -0.7% | Bund-10yr | -0.12 | 1 | -36 | BRENT CRUDE | 68 | 0.9% | 27.1% |
| STOXX 600 | 375.23 | 0.4% | 11.1% | USD/JPY | 109.48 | 0.1% | 0.2% | JGB - 10yr | -0.07 | -1 | -7 | LMEX | 2789 | 0.1% | -0.4% |

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 2.25 | 0 | -19 |
| 1-week | 2.36 | 0 | -20 |
| 1-month | 2.58 | -1 | -15 |
| 3-month | 2.97 | 0 | -6 |
| 6-month | 3.09 | -1 | -9 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 3.00 | -6 | -7 |
| 5Y RSD | 3.76 | 0 | 25 |
| 7Y RSD | 4.03 | 0 | -13 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Feb-20 | 3.22 | 0 | -78 |

CDS

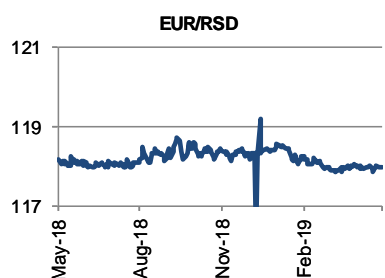
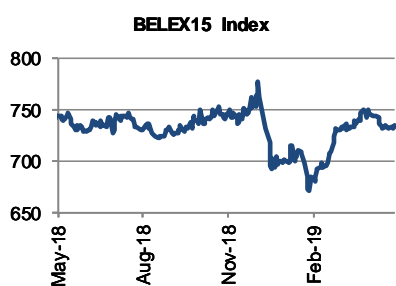
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 104 | 0 | -14 |
| 10-year | 149 | 0 | -13 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| BELEX15 | 732.8 | -0.25% | -3.80% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RSD | 117.98 | 0.08% | 0.22% |



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 2.91 | 128 | 182 |
| 1-month | 3.17 | 3 | 130 |
| 3-month | 3.28 | 0 | 123 |
| 6-month | 3.39 | 0 | 112 |
| 12-month | 3.54 | 0 | 122 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 3.83 | 0 | -20 |
| 5Y RON | 4.46 | 0 | 12 |
| 10Y RON | 4.96 | 0 | 15 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.38 | - | -16 |
| USD Jan-24 | 3.47 | 0 | -76 |

CDS

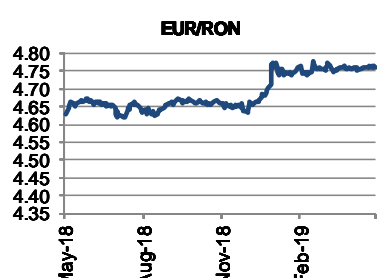
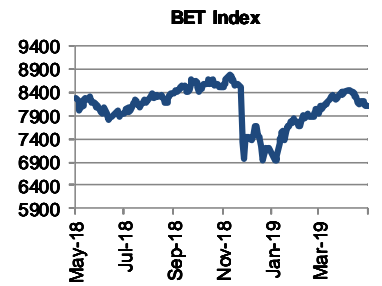
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 92 | 0 | 2 |
| 10-year | 136 | 1 | 2 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|--------|-------|
| BET | 8109.2 | -0.01% | 9.83% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|-------|-------|--------|
| EUR/RON | 4.759 | 0.03% | -2.20% |



BULGARIA

Money Market

| SOFIBOR | Last | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| LEONIA | 0.01 | 0 | 1 |
| 1-month | -0.22 | 8 | 3 |
| 3-month | -0.14 | 9 | 4 |
| 6-month | -0.02 | 10 | 3 |
| 12-month | 0.36 | 14 | 4 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| 3Y BGN | -0.28 | -6 | -22 |
| 5Y BGN | -0.02 | 0 | -13 |
| 10Y BGN | 0.46 | 0 | -29 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|-------|-------|----------|
| EUR Mar-22 | -0.11 | 0 | -6 |
| EUR Sep-24 | 0.16 | -3 | -32 |

CDS

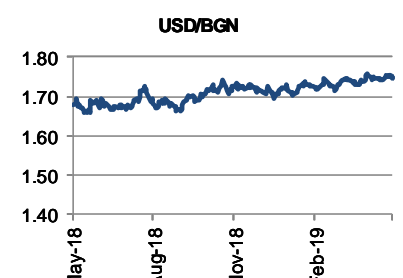
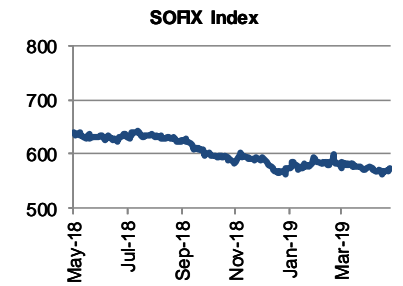
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 80 | 0 | -17 |
| 10-year | 128 | 0 | -13 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|-------|--------|
| SOFIX | 573.5 | 0.10% | -3.52% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| USD/BGN | 1.7487 | 0.03% | -2.47% |



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 10:10 EEST

Friday 24 May 2019

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